COMPANY RESULTS

99 Speed Mart Retail (99SMART MK)

2Q25: In-Line Results, Outpaces The Industry

99SM delivered on earnings with its sales bucking a sluggish industry trend during the quarter. In addition, despite the full impact of the minimum wage, margins were enhanced due to an increase in other income. We remain positive on 99SM for its highly visible store expansion rollout, resilient demand through its staple offerings and insulation from the trade tariff disruption. Maintain BUY with a higher target price of RM2.90 as we roll over our valuations to 2026.

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25	qoq % chg	yoy % chg	1H25	yoy % chg	Comments
Revenue	**2707.8**	**3.7**	**11.9**	**5319.4**	**9.8**	Yoy growth was primarily driven by a 9.4% increase in store count. Revenue per store stood at +2.4%.
GP	325.0	3.4	38.9	639.5	23.8	
EBITDA	282.9	6.1	17.5	549.6	12.6	
PBT	203.0	6.7	19.8	393.2	13.0	
Profit	153.2	**7.0**	**18.0**	**296.4**	**12.7**	
Core Profit	**153.2**	**7.0**	**18.0**	**296.4**	**12.7**	Within expectations at 52% and 50% of our and consensus earnings expectations respectively.
Margins	**(%)**	**qoq ppt chg**	**yoy ppt chg**	**(%)**	**yoy ppt chg**	
Gross Profit	12.0	0.0	2.3	12.0	1.4	
EBITDA	10.4	0.2	0.5	10.3	0.3	Improved other income more than offset the full impact of the minimum wage.
Eff. tax rate	-24.5	0.2	-1.2	-24.6	-0.2	
Core Profit	5.7	0.2	0.3	5.6	0.1	

Source: 99SM, UOB Kay Hian

RESULTS

- **Within expectations.** 99 Speed Mart Retail (99SM) posted a 2Q25 core profit of RM153.2m (7.0% qoq, 18.0% yoy), which brought 1H25 core profit to RM296.4m (+12.7% yoy). The core profit is largely within expectations at 52% and 50% of our and consensus full-year earnings forecasts respectively. Highlights for the quarter include: a) in-store revenue bucked the broader industry trend, and b) an expansion in margins due to an increase in its other income despite the full impact of the minimum wage.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	9,211	9,982	11,145	12,347	13,592
EBITDA	(71)	104	112	109	109
Operating profit	(293)	(142)	(147)	(162)	(190)
Net profit (rep./act.)	400	490	564	627	684
Net profit (adj.)	400	512	564	627	684
EPS (sen)	4.8	6.1	6.7	7.5	8.1
PE (x)	50.6	39.6	36.0	32.2	30.1
P/B (x)	37.4	14.4	12.0	10.1	8.7
EV/EBITDA (x)	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	1.9	1.4	1.4	1.6	1.7
Net margin (%)	4.3	5.1	5.1	5.1	5.0
Net debt/(cash) to equity (%)	(15.8)	(44.0)	(42.5)	(43.8)	(45.1)
Interest cover (x)	(1.6)	2.3	2.3	2.1	2.0
ROE (%)	22.7	48.3	32.8	31.1	29.2
Consensus net profit ()	-	-	586	664	779
UOBKH/Consensus (x)	-	-	0.96	0.95	0.86

Source: 99 Speed Mart Retail, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM2.50
Target Price	RM2.90
Upside	16.0%
(Previous TP	*RM2.60)*

COMPANY DESCRIPTION

Homegrown 99 Speedmart is the largest mini-market player and the leading grocery retailer in Malaysia. Apart from groceries, the chain is involved in the retailing of daily necessities.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	99SMART MK
Shares issued (m):	8,400
Market cap (RMm):	20,244.0
Market cap (US$m):	4,795.8
3-mth avg daily t'over (US$m):	3.0

Price Performance (%)

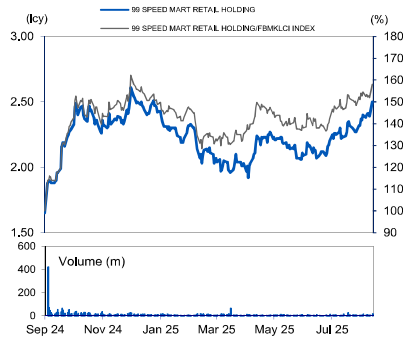
52-week high/low RM/RM

1mth	3mth	6mth	1yr	YTD
8.1	10.6	12.6	n.a.	(2.4)

Major Shareholders	**%**
Lee Thiam Wah & family	83.0

FY25 NAV/Share (RM)	0.20
FY25 Net Cash/Share (RM)	0.10

PRICE CHART



Source: Bloomberg

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- **Bucking the industry's trend.** 2Q25 revenue grew 11.9% yoy and 3.7 qoq. On a yoy basis, growth was primarily lifted by an enlarged store count of 9.4% or 248 new stores to bring its latest store count to 2,894 stores (+61 new stores qoq). Sales per store rose 2.4% despite the unfavourable spending tied to Hari Raya, which bucked the trend of the overall retail sector. 99SM's customer base has benefitted from the minimum wage uplift and government social assistance initiative, which ultimately underlines resiliency of demand for the staple products offered by 99SM.
- **Margins expand despite full impact of minimum wage.** 2Q25 gross margin was unchanged qoq at 12.0%. A 10% increase in other income more than cushioned the full impact of the minimum wage for the quarter for operating margins to improve by 0.2ppt qoq to 10.4%. Other income that amounted to 8.3% of revenue should be sustained in tandem with 99SM''s enlarged footprint across the country and the coverage of its distribution centres (DC). The slight expansion in operating margins translated into a higher core profit margin, which rose by 0.2ppt and 0.3ppt qoq and yoy respectively.

STOCK IMPACT

- **Direct beneficiary of cash handout but full extent is uncertain.** The government has announced a one-off RM100 cash handout to all adults in conjunction with Independence Day, amounting to RM2b in total. This handout can be spent at over 4,100 participating supermarkets and grocery outlets for basic necessities. 99SM is among the direct key beneficiaries, participating in the scheme. That said, the entire RM2b may not translate into incremental spending at the participating outlets. A portion of the funds is likely to have been spent on basic necessities regardless and may now simply be redirected toward other essential or discretionary items by consumers. Hence, the overall effect while positive, may only translate minimally to 99SM.

EARNINGS REVISION/RISK

- **Earnings revision: None.**
- Risks include a sharp hike in minimum wage in the supply chain, foreign labour policy and unfavourable publicity or fails in internal controls.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of RM2.90 (from RM2.60)** as we roll over our valuations to 2026. Apart from 99SM's resilient underlying demand and visibility of store expansion rollout, 99SM is now an established FBMKLCI Index constituent. Nestle and QL traded at an average PE of 47.0x and 36.5x respectively two years after their FBMKLCI Index inclusions or an average PE of 41.8x. However, 99SM is a retailer and therefore should be trading to a discount to its FMCG peers and more in line with Mr. DIY. Accordingly, our target price is based on 38.9x 2026F PE or Mr. DIY's +0.5SD to its historical PE mean.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

- **Environmental**
  - **Energy efficiency.** Enhancing energy efficiency in outlets and properties helps achieve significant savings and emissions reductions; for example, installing solar panels at 15 out of its 17 distribution centres.
  - **Waste management.** Since May 23, the company's "Say No to Plastic Bags" campaign in Peninsular Malaysia has been promoting a zero plastic bag policy, with plans to expand it to East Malaysia. Some 21,500 tonnes of packaging waste were recycled in 2023, generating RM42m in proceeds.
- **Social**
  - **Community contribution.** 99SM's presence spans across the country, extending to small towns and rural areas, where employment opportunities may be limited. As such, 99SM aims to prioritise employment of the locals. 99SM employs over 21,000 Malaysians, who make up more than 95% of its workforce.
  - **Diversity and inclusion.** Approximately 49.7% of 99SM's workforce are female and the remaining 50.3% are male.
- **Governance**
  - **Transparency and accountability.** 99SM has put in place practices in accordance with the principles provided in the Malaysian Code on Corporate Governance (MCCG) issued by the Securities Commission.
  - **Board independence.** 99SM meets MCCG's recommendations to have at least 30% female directors and a majority of independent directors.

ASSUMPTION DRIVERS

	2025F	2026F	2027F
Revenue growth (%)	**11.7**	**10.8**	**10.1**
Store count avg	2903	3153	3403
Net addition	250	250	250
Growth yoy (%)	9.5	8.6	7.9
Revenue per store (%)	2.0	2.0	2.0
Core profit (RMm)	**563.9**	**627.4**	**683.7**
Core proft growth (%)	10.1	11.3	9.0
Core proft margin (%)	5.1	5.1	5.0

Source: 99SM

STORE PENETRATION REMAINS LOW IN CERTAIN REGIONS

Region	Outlets/ Million Population
Peninsular Malaysia	89.3
Central	109.5
East Coast	25.2
Northern	87.1
Southern	109.3
East Malaysia	40.2

Source: 99SM

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**9,981.6**	**11,144.9**	**12,346.8**	**13,592.2**
EBITDA	104.4	111.8	109.3	109.5
Deprec. & amort.	246.0	259.0	271.5	299.8
EBIT	(141.6)	(147.1)	(162.2)	(190.3)
Total other non-operating income	871.7	953.6	1,057.2	1,165.3
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(45.0)	(48.6)	(51.8)	(56.1)
Pre-tax profit	**685.1**	**757.9**	**843.2**	**918.9**
Tax	(172.7)	(194.0)	(215.8)	(235.2)
Minorities	0.0	0.0	0.0	0.0
Net profit	**490.3**	**563.9**	**627.4**	**683.7**
Net profit (adj.)	512.4	563.9	627.4	683.7

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	1,441.9	1,311.4	1,347.3	1,384.6
Other LT assets	12.7	12.7	12.7	12.7
Cash/ST investment	698.1	794.3	956.5	1,139.1
Other current assets	1,408.4	1,639.8	1,816.7	1,999.9
Total assets	**3,561.2**	**3,758.2**	**4,133.1**	**4,536.3**
ST debt	3.4	3.4	3.4	3.4
Other current liabilities	1,208.2	1,295.7	1,392.2	1,490.8
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	770.5	598.2	562.9	525.6
Shareholders' equity	1,579.0	1,860.9	2,174.6	2,516.5
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	**3,561.2**	**3,758.2**	**4,133.1**	**4,536.3**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**486.0**	**718.4**	**825.2**	**905.7**
Pre-tax profit	685.1	757.9	843.2	918.9
Tax	(172.7)	(194.0)	(215.8)	(235.2)
Deprec. & amort.	246.0	259.0	271.5	299.8
Associates	0.0	0.0	0.0	0.0
Working capital changes	(259.9)	(94.5)	(61.9)	(63.4)
Other operating cashflows	(12.5)	(9.9)	(11.7)	(14.4)
Investing	**(163.1)**	**(175.1)**	**(173.3)**	**(190.6)**
Capex (growth)	(170.7)	(185.0)	(185.0)	(205.0)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	7.6	9.9	11.7	14.4
Financing	**189.1**	**(447.3)**	**(489.7)**	**(532.5)**
Dividend payments	(200.0)	(281.9)	(313.7)	(341.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(48.5)	0.0	0.0	0.0
Others/interest paid	437.6	(165.3)	(176.0)	(190.6)
Net cash inflow (outflow)	**512.0**	**96.1**	**162.2**	**182.6**
Beginning cash & cash equivalent	**137.6**	**698.1**	**794.3**	**956.5**
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	**649.6**	**794.3**	**956.5**	**1,139.1**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	1.0	1.0	0.9	0.8
Pre-tax margin	6.9	6.8	6.8	6.8
Net margin	5.1	5.1	5.1	5.0
ROA	16.5	15.4	15.9	15.8
ROE	48.3	32.8	31.1	29.2
Growth				
Turnover	8.4	11.7	10.8	10.1
EBITDA	n.a.	7.1	(2.3)	0.2
Pre-tax profit	27.3	10.6	11.3	9.0
Net profit	28.0	10.1	11.3	9.0
Net profit (adj.)	28.0	10.1	11.3	9.0
EPS	28.0	10.1	11.3	9.0
Leverage				
Debt to total capital	0.2	0.2	0.2	0.1
Debt to equity	0.2	0.2	0.2	0.1
Net debt/(cash) to equity	(44.0)	(42.5)	(43.8)	(45.1)
Interest cover (x)	2.3	2.3	2.1	2.0

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